CPC SUBMISSION

NEW HEALTH WARNING LABELLING

Philip Morris Australia
17th December 1993

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NEW HEALTH WARNING LABELLING

BACKGROUND

1. The newly constituted Ministerial Council for Drug Strategy which met on July 7, 1993 vacated its April 15, 1992 position and determined that it would adopt a labelling proposal different to the original MCDS proposal but broader than the EC Style proposal. Effectively the new MCDS proposal will require one of 6 health warnings on the "flip top" occupying not less than 25 per cent of the pack front, that warning is to be rotated frequently; the top one third of the back of the pack will be devoted to detailed health information including a national quit line phone number printed in black on a white background; and more detailed information on an entire side of the pack about tar, nicotine and carbon monoxide content of the cigarettes, specifically the average yields of these substances and their potential effect on health.

   The six health warnings to be rotated and printed in black type on a white background would include:

   - smoking is addictive
   - smoking kills
   - smoking causes heart disease
   - smoking when pregnant harms your baby
   - your smoking can harm others
   - smoking causes lung cancer

   The expectation of MCDS was that each State would pass State Regulations to effect the decision.

2. On September 28, 1993 Victoria proclaimed Regulations pursuant to the Victorian Tobacco Act to the effect that:

   all cigarette packages are to be labelled

   (a) on the front with *"Tobacco Seriously Damages Health"* Health Authority Warning occupying 12% of the surface area of that face;

   (b) on the back of the pack with one of four rotating warnings and the attribution occupying 12% of the surface area of that face, including.

   - *"Smoking Causes Lung Cancer"* Health Authority Warning
   - *"Smoking Causes Heart Disease"* Health Authority Warning
   - *"Smoking When Pregnant Harms Your Baby"* Health Authority Warning
   - *"Your Smoking Can Harm Others"* Health Authority Warning;

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2. (c) on the underside of the pack with

"Quitting at any age will help your health and reduce your risk of serious illness".

occupying the whole or half of the underside depending on whether there is a trade mark printed on the underside;

(d) in black or other colour which contrasts strongly with the background.

Unless an extension of time is obtained these Regulations must be complied with by July 1, 1994.

3. Upon the Victorian Government proclaiming Regulations not in line with the MCDS decision of July 7, 1993; the Federal Health Minister announced that to ensure the "unanimous" decision of the MCDS was effected he would intervene to achieve uniformity.

He intends to use Sections 65C and 65D of the Commonwealth Trade Practices Act to promulgate Product Safety and Product Information Standards respectively.

To date it is reported that whereas drafting instructions have been issued to the Department: (a) it has not received precise instructions and (b) it is experiencing difficulties under Section 65C relating to the requirement that (a) the Regulations be "reasonably necessary to prevent or reduce risk of injury to any persons" and (b) the various forms of Health Warnings rotate under Section 65C. Hence there is a need for Government to have data supporting its decision.

Further, it would appear that they have been instructed to ensure the Regulations apply to exports. This is causing problems for them as Section 65D does not extend to exports.

We expect to receive a copy of any draft Federal Regulations before they are promulgated. However the Department has advised our legal consultant that the earliest they could be made law would be towards the end of January 1994, at the first meeting of the Executive Council.

4 On November 9, 1993 the New South Wales Health Minister, Ron Phillips, forwarded each manufacturer and the Tobacco Institute of Australia Regulations modelled on the MCDS decision of July 7, 1993 but pursuant to the New South Wales Public Health Act. He indicated that the Regulations would be proclaimed shortly. Unless an extension of time is granted, presuming they are proclaimed, these Regulations will take effect from April 1, 1994.

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4. It is arguable, however, that prior to the New South Wales Regulations being promulgated a Regulatory Impact Statement (i.e. an assessment of the Costs and benefits of the Regulations) should have been prepared. Accordingly, each Company and the TIA has queried the New South Wales Health Minister but to date no response has been received.

5. As to the other States and Territories (Western Australia, Queensland, South Australia, Tasmania, the Australian Capital Territory and Northern Territory) the four rotating 1987 Health Warnings still apply.

In summary our preliminary view is that the new MCDS labelling proposals may be introduced in each of these other States and Territories as follows.

(a) Queensland - by regulation pursuant to existing legislation;

(b) South Australia - by enacting new legislation to cover the proposals which do not constitute health warnings (which has now been facilitated);

(c) Western Australia - by regulation pursuant to existing legislation;

(d) Tasmania - by enacting new legislation to cover the proposals which do not constitute health warnings; and

(e) Northern Territory - by enacting new legislation to cover the proposals which do not constitute health warnings.

PHILIP MORRIS LIMITED'S POSITION

Essentially, Philip Morris is faced with 3 options.

1. Wait until there is an industry position (probably the MCDS regulations)

2. Launch Victorian warnings for all our brands in Victoria as soon as possible, whilst maintaining the current packaging in the other States.

3. Launch the Victorian warnings in all States except Western Australia, utilising the mutual recognition regulation if we are challenged. As WA does not have the mutual recognition regulation, we would sell current packaging or Victorian packaging if we can have them exempt.

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PHILIP MORRIS LIMITED'S POSITION (Cont'd)

Potentially in the long term, Philip Morris has the competitive edge in being domiciled in Victoria and therefore being able to use the Victorian regulations nationally, versus Rothmans and Wills, who will almost certainly be required to use the MCDS regulations if NSW legislate for this option as expected.

The immediate downside for Philip Morris would be in having Victorian packaging in the market against opposition packs with the current regulations, until such time as they were forced to comply with the proposed NSW or Federal regulations (probably some time towards the end of 1994 if they are successful in getting an extension from the proposed April 1994 timetable).

Our intention is to release Longbeach with Victorian warnings Nationally as soon as possible. This would enable us to satisfy the Corporate Affairs case sufficiently in the short term, whilst not jeopardising all our brands against the opposition, who for a period of time, would be utilising the current regulations.

We will, however, need to be prepared with designs and cylinders on all brands for both the Victorian and MCDS warnings.

The cost involved of cutting and holding cylinders on all brands for the Victorian regulations and MCDS as a back-up will be around A$3.5 million.

Irrespective of the position we take in the other States, as a Victorian based manufacturer we must comply with the Victorian regulations in July 1994, unless before that time, the MCDS Federal regulations are legislated and gazetted.

PROPOSED CHANGES

The designs were developed with the following objectives:

- To maintain the integrity and general look of the current in market designs.
- To maximise the branding and overall impact of the pack design elements.

The 12Mg variants of Marlboro, Alpine, Longbeach and Peter Jackson have been submitted with both the MCDS and Victorian warnings. I will deal with the design changes of each brand in turn.

Please Note: On all packs, we have included a consumer services toll free number on the side panel.

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1. MARLBORO

1.1 MCDS Health Warning

The chevron and brand name are the key design elements. Consequently we have opted to achieve the maximum depth possible on the chevron within the reduced space, whilst maintaining the size and prominence of the Marlboro name.

This has resulted in a slight change to the dimensions of the chevron and a smaller crest.

We believe this design direction achieves the best balance versus the dominance of the Health Warning, whilst holding true to the current pack in market.

1.2 Victorian Health Warning

The new design has managed to hold the balance of most of the elements of the current design. Small changes include:

- Repositioning all elements slightly higher to make room for the larger warning at the bottom of the pack.

- A 2mm reduction in the height of the chevron, and a slight reduction in the size of the brand name. These reductions have been necessary to allow for the appropriate space between the brand name, crest and chevron.

Additionally, the colour chosen for the Health Warning incorporates a darker shade of grey to satisfy the strongly contrasting colour requirement.

2. ALPINE

2.1 MCDS Health Warning

The difficulty with Alpine relates mainly in trying to maintain the quality, stylish, feminine appeal of the current pack, and yet not allow the new Health Warning to dominate the pack's presentation.

The chevron and mountain design is the central focus for the Alpine pack. We know from consumer research that this design element is a key component in communicating Alpine's imagery in that it underpins the brand's product benefit, i.e. Fresh Menthol taste.

Alpine's re-design has been based on maintaining the size, strength and projection of the chevron. To achieve this, we have had to incorporate the 'Menthol Fresh' descriptor and '25' pack count number within the chevron itself.

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2. ALPINE (Cont'd)

2.1 **MCDS Health Warning**

We have also chosen not to increase the size of the brand name. Whilst this may appear to be contrary to what one would expect with such a prominent warning, we did explore and ultimately reject this option as there was a trade-off in the ensuing quality and elegance of the design.

It is our intention to lift the quality of the pack by incorporating a 'Super Gold' print on the crest and key lines.

2.2 **Victorian Health Warnings**

Like Marlboro, the Victorian packs for Alpine require only minor changes to achieve an optimum balance relative to the current designs.

All elements have been repositioned towards the top of the pack to make room for the warning, and we have been able to virtually maintain the size and dimensions of all elements.

Again, we propose to include a 'Super Gold' print on this pack to lift quality.

It is our intention to print the Health Warning in dark grey. We have explored using green, but feel that this weakens the impact of the main design, whilst the grey separates the design from the warning.

3. LONGBEACH

3.1 **MCDS Health Warning**

Based on our original explorations, it was found that a straight translation of the current Longbeach design under the MCDS warning looked unbalanced, where the pack appeared squat and bottom heavy. The impact of the beach logo was lost, and there was no central focus to the pack design.

The new design is based on strengthening the impact of the beach logo, as the central design element. We have incorporated the Longbeach name into the logo itself and increased the size of the logo to accommodate this and yet still maintain a relativity to the current design.

Based on the success of Longbeach, and the awareness of it as a 40's pack size, we feel it is no longer necessary to overplay the '40' pack count number in the design.

Consequently, the '40' pack count number has been reduced in size and positioned in gold next to the variant descriptor.

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3. LONGBEACH

3.2 **Victorian Health Warning**
The current Longbeach design translates relatively well under the Victorian warning.

The warning has been reproduced in a stipple of the darker blue colour of the pack to satisfy the contrasting colour requirement.

The '40' pack count has been repositioned in gold next to the Mild variant descriptor, which has been slightly enlarged.

You will note that we have managed to maintain the beach logo on the underside of the pack by choosing to divide the 50% area allowed vertically.

4. PETER JACKSON

4.1 **MCDS Health Warning**
The MCDS pack design was developed in light of consumer research which indicated that consumers like the colour scheme on Peter Jackson and the blue colour block.

The MCDS design incorporates the following key features:

- The use of a longer colour block to maximise the colour branding.
- Inclusion of the full brand name in the colour block, white out of blue
- Adoption of a smaller crest and a gold 30. This new approach has been necessary to give the individual elements within the colour block an appropriate space, and provides balance to the overall design. It is our intention to drop the rondel, as it is felt that it would fight too much with the other elements within such a reduced space.

4.2 **Victorian Health Warning**
Given Peter Jackson's strength in the Victorian market, and the importance of the pack design within Peter Jackson's overall mix, we have provided 2 designs for consideration; one of which changes little from the current design and the other which is a bigger move and is intended to lift the packs modernity.

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4.2 **Victorian Health Warning (Cont'd)**

Key features common to both versions include.

- use of a grey health warning to allow the colour block to remain as the distinctive design element
- a slightly truncated colour block to allow for the larger warning
- a vertical split on the underside of the pack, whereby we have been able to retain the colour coding, brand name and variant descriptor within the allowed 50% space. The 12Mg* snipe will be dropped in order to allow maximum projection of the brand name.

Version 1 retains the crest, rondel and variant descriptor as per the current design.

Version 2 incorporates a more detailed crest to improve the quality aspect. The rondel has been dropped and the variant descriptor and 30 pack size number have been positioned along the base of the colour block to convey a more modern and updated appearance.

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